



## **CITY COUNCIL STAFF REPORT**

**MEETING DATE:** *January 19, 2005*

**Agenda Item # 25**

**Prepared By:**

**Planning Manager**

**Submitted By:**

**City Manager**

### **DOWNTOWN AREA BUILDING ALLOTMENT**

#### **RECOMMENDED ACTION(S):**

Adopt Resolution.

#### **EXECUTIVE SUMMARY:**

On October 27, 2004, the City Council considered a report on ways to supplement the Measure C building allotment for the Downtown Area. The report also addressed whether to extend the competition for the Downtown Allotment into a second and third year, and whether to advance the filing deadline for the competition. The Council referred the matter to the Planning Commission for recommendation. The Commission reviewed the item at their December 14, 2004 meeting and voted to recommend the Council increase the Downtown set-aside as outlined in the attached memorandum.

Staff is aware of at least four potential projects that would compete in next year's Downtown Area competition. It is anticipated that these projects combined will require around 160 to 200 building allocations to complete building out. To provide additional building allocations for downtown projects in Fiscal Year 2007-08, the Planning Commission recommends the Council redistribute the Open/Market Competition set-aside in that year and allocate 40 additional units to the Downtown Area. The 40 additional units would be subtracted from the other Open/Market set-asides (Single Family, Small Project and Any of the above categories). This would increase the Downtown set-aside to 80 units.

To provide sufficient allocations to complete the Downtown projects, the Commission recommends the City Council authorize next year's Downtown competition to extend into a second year (FY 2008-09) and third year (2009-10). The Planning Commission recommends that 40 allocations be reserved in the Open/Market Competition in FY 2008-09 for the Downtown Area, plus an additional 40 units reserved in FY 2009-10. The total set-aside from 2006 through 2009-10, as recommended by the Planning Commission, will equal **215 units**. The Planning Commission recommends the Council approve the increase set-aside for the Downtown Area by adoption of the attached Resolution.

Separate Affordable Competition: As noted in the attached memorandum, the City did not receive any applications this year for separate affordable projects competition. The unused affordable allotment for FY 2006-07 will be awarded to projects in the current Open/Market Competition. To preserve the affordable allotment for the next fiscal year (2007-08), the Planning Commission recommends the Council authorize a separate affordable competition to be held in 2005. The Commission recommends the filing deadline be either July or September 1, 2005.

For the Downtown Area competition, the Commission recommends the filing deadline be set no earlier than July 1, 2005. This will allow the Commission sufficient time to complete necessary revisions to the scoring criteria following this year's competition.

**FISCAL IMPACT:** No budget adjustment required.



## **MEMORANDUM**

**To: CITY COUNCIL**

**Date: January 19, 2005**

**From: COMMUNITY DEVELOPMENT DEPARTMENT**

**Subject: DOWNTOWN AREA BUILDING ALLOTMENT**

### **BACKGROUND**

On October 27, 2004, the City Council considered a report on ways to supplement the Residential Development Control System building allotment for the Downtown Area. The report also addressed whether to extend the competition for the Downtown Allotment into a second and third year, and whether to advance the filing deadline for the competition. It was the consensus of the City Council at this meeting, that the Downtown set-aside should be increased. The matter was then referred to the Planning Commission for recommendation.

The Planning Commission reviewed the Downtown Allotment at their December 14, 2004 meeting and voted to recommend the Council increase the Downtown set-aside as outlined in the following sections of this report.

### **Current Downtown Set-Aside:**

For the Downtown Area, the Council originally set-aside 15 building allocations for open/market rate projects for Fiscal Year 2006-07 and 40 building allocations for FY 2007-08 (55 units total for the two fiscal years). Ten allocations were also set-aside in each of the two fiscal years for small vertical mixed use projects. The Vertical Mixed Use set-aside is limited to projects that are a maximum of 15 residential units in combination with office or retail uses. Vertical mixed use is also limited to areas that are zoned for mixed use, such as the CC-R district, which includes most of the downtown area. Between the Downtown Area and Vertical Mixed Use set-asides, up to 75 building allocations are currently available for downtown projects.

**Downtown Allocation Available**  
**Two Year Competition**

	<u><b>FY 2006-07</b></u>	<u><b>FY 2007-08</b></u>	<u><b>Total</b></u>
<b>Downtown Area Set-Aside</b>	<b>15</b>	<b>40</b>	<b>55</b>
<b>Vertical Mixed Use</b>	<b>10</b>	<b>10</b>	<b>20</b>
	<u><b>25</b></u>	<u><b>50</b></u>	<u><b>75</b></u>

**Current Downtown Area Projects:**

The filing deadline for this year's RDCS application was October 1, 2004. Twenty four (24) applications were filed on that date. Three (3) of the 24 projects received are located in the downtown area and two of the three downtown projects also qualify under the Vertical Mixed Use set-aside. The three downtown projects are as follows:

1. Application MC-04-15: Church-Alcini: A 14 unit single family attached residential project located at the corner of Church Street and Bisceglia Avenue.
2. Application MC-04-16: E. First - Sherman House Association: A mixed use project with retail and parking on the 1st floor, office space and 10 residential units on the second and third floors. The project site is located between East First and East Second Street behind the Downtown Mall.
3. Application MC-04-20: Depot - The Granary LLC: A mixed use project that lists retail on the first floor and 11 residential units on the second and third floors. The project site is the location of the current Day workers Center.

The three projects combined are requesting 35 building allocations.

**Downtown Area 2005 Competition:**

If all three of the above downtown projects ultimately receive a building allotment, 40 building allocations would remain to be awarded to new downtown area projects. The City Council previously authorized a separate Downtown Area competition to be conducted next year to award the balance of the Downtown Area allotment. The filing deadline for next year's competition is September 1, 2005.

As mentioned in prior Council discussion, staff is aware of at least four potential projects that would compete in next year's Downtown Area competition. The proponents for these projects are waiting for the City to complete amendments to the General Plan that are part of

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the update of the Downtown Plan. The General Plan Amendments will allow increased residential densities in areas identified as opportunity sites in the Downtown Plan. These sites include the former Sunweet property on East Third Street and the Flea Market and Associated Concrete properties north of the Cal Train Station on Butterfield and East Main Avenue. The General Plan amendment that these sites require to compete under Measure C is scheduled for the City Council's January 19, 2005 meeting.

The number of building allocations required for new downtown area projects cannot be determined at this time. However, based on discussions with prospective applicants, we anticipate the allotment request to be in the range of 160 to 200 building allocations. As noted above, 40 allocations would be available if the current downtown projects are successful.

### **Supplemental Building Allotment for Downtown Projects:**

To provide additional building allocations for downtown projects in Fiscal Year 2007-08, the City Council could transfer building allocations from one or more of the other set-aside categories in that fiscal year, or authorize next year's competition to extend into the following year (FY 2008-09). For the first option, the Council would need to transfer allocations from either the Large or Small Project set-asides in the Open/Market competition or transfer allocation from the set-aside that has been reserved for 100 percent affordable projects. Previously, the Council set-aside 50 allocations for affordable projects for FY 2006-07 and 50 allocations for FY 2007-08. No applications were filed this year for the two-year Affordable competition. Therefore, the 50 allocations reserved for affordable projects in FY 2007-08 would be available to transfer to market rate projects in the Downtown Area. Alternately, the Council could reserve a greater percentage of the building allotment in the open market competition for projects in the Downtown Area.

The following tables show the current distribution of building allocations for FY 2007-08 for all competition categories:

<b><u>Fiscal Year 2007-08 Allocation:</u></b>	<b><u>Units</u></b>
<b>On-Going Projects</b>	<b>45</b>
<b>Vertical Mixed Use Projects</b>	<b>10</b>
<b>Affordable Competition</b>	<b>50</b>
<b>Micro Competition</b>	<b><u>10</u></b>
<b>Sub-Total:</b>	<b>115</b>
<b>Open/Market Competition:</b>	
Single-family	<b>45</b>
Small Projects	<b>15</b>

## Downtown Area Building Allotment

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Downtown Area	40
Multi-family	15
Any of the above	<u>20</u>

**Sub-Total: 135**

**Grand Total: 250**

To increase the set-aside for the Downtown Area, in FY 2007-08, the Planning Commission recommends the Council redistribute the Open/Market Competition and allocate 40 additional units, for 80 units total, to the Downtown Area. The 40 additional units would be subtracted from the other Open/Market set-asides (Single Family, and Any of the above categories).

The following tables show the modified distribution of building allocations for FY 2007-08 for all competition categories as recommended by the Planning Commission:

<b><u>Fiscal Year 2007-08 Allocation:</u></b>	<b><u>Units</u></b>
<b>On-Going Projects</b>	<b>45</b>
<b>Vertical Mixed Use Projects</b>	<b>10</b>
<b>Affordable Competition</b>	<b>50</b>
<b>Micro Competition</b>	<b><u>10</u></b>
<b>Sub-Total:</b>	<b>115</b>

#### **Open/Market Competition:**

Single-family	25
Small Projects	15
Downtown Area	80
Multi-family	15
Any of the above	<u>0</u>

**Sub-Total: 135**

**Grand Total: 250**

#### **Three Year Competition:**

Measure C allows up to three years worth of building allocations to be awarded in a single competition. To provide the anticipated number of allocations for new projects in the Downtown Area, the Planning Commission recommends the City Council authorize next year's Downtown Area competition to extend into a second year (FY 2008-09) with the

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balance of the allocation needed to complete downtown projects, extending into a third year (2009-10). The Planning Commission recommends that 40 allocations be reserved in the Open/Market Competition in FY 2008-09 for the Downtown Area, plus an additional 40 units reserved for the Downtown in FY 2009-10. In addition, in each of these years, 10 additional units will be available in the Downtown for vertical mixed used projects.

As noted previously, up to 35 allocations may be awarded to Downtown projects in the current competition for FY 2006-07. Therefore, the total set-aside from 2006 through 2009-10 would equal **215 units**.

### **Moving up the Filing Date for the Downtown Area Competition:**

As stated previously, the City Council authorized a separate Downtown Area Competition next year with a filing deadline of September 1, 2005. The City Council may establish an earlier filing deadline for the Downtown competition, if warranted, based on when potential projects would be able to proceed through the competitive process. Moving up the filing deadline does not accelerate the timing of when projects could begin, but could bring earlier certainty for property owners and project proponents. The earliest that new downtown projects would be eligible to apply would be after the Downtown Plan General Plan Amendments are approved by the City Council in January 2005.

Should the Council wish to establish an earlier filing date, the Planning Commission recommends the filing date be no earlier than **July 1, 2005**. The Planning Commission will need time following this year's Measure C competition to revise the scoring criteria for the next competition. Vertical Mixed use projects in particular, do not score well under the current criteria. The Planning Commission will be appointing a subcommittee at their February 8, 2005 meeting to begin work on revising the scoring criteria. The revision process is expected to take several months to complete.

### **Maintaining the Affordable Housing Set-Aside/ Conducting a 2005 Affordable Competition:**

Policy 1i of the Housing Element of the General Plan requires the City to reserve a minimum of 20 percent of the total annual RDCS building allocation for 100 percent affordable (very low, low and median income) housing. The 50 building allocations reserved for affordable projects in FY 2006-07 and FY 2007-08 represent 20 percent of the total building allotment in each of those years. Measure C requires a building allotment to be issued no less than 16 months prior to the start of the first fiscal year in which the allotments must be used (March 1, 2005 for the FY 2006-07 building allotment). To meet the statutory deadline for awarding allocations, the Planning Commission must award the unused FY 2006-07 Affordable set-aside to projects in the other competition categories. To preserve the Affordable set-aside for FY 2007-08, (which must be awarded by March 1, 2006), the Planning Commission recommends the City Council authorize a separate Affordable competition to be conducted next year with a filing deadline of July or September 1, 2005.

**RECOMMENDATION:** Adopt Resolution approving a revised number, term and filing deadline for the next Downtown Area and Affordable RDCS competitions.

**Attachments:**

1. Resolution 5800
2. Exhibit C – Limits of the Downtown Area
3. Resolution authorizing Affordable and Downtown Area Competitions in 2005.

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## **RESOLUTION NO.**

### **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING THE DISTRIBUTION AND TERM FOR THE MEASURE "C" AFFORDABLE AND DOWNTOWN AREA COMPETITIONS TO BE CONDUCTED DURING FISCAL YEAR 2005-2006.**

**WHEREAS**, a building allotment under the City's Residential Development Control System would be available in the 2007-08 fiscal year; and

**WHEREAS**, the City Council has reviewed recommendations contained in the January 19, 2005 staff report on this item, and has determined that the total number and recommended distribution of building allotment contained therein, as amended, is consistent with the General Plan and the City Code requirements under Chapter 18.78 of the Morgan Hill Municipal Code; and

**WHEREAS**, testimony received at the January 19, 2005 public meeting has also been considered in the review process;

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL THAT:**

**SECTION 1:** Pursuant to Sections 18.78.030 and 18.78.184 of the Morgan Hill Municipal Code, City Council hereby authorizes a Residential Development Control System (Measure C) competition to be conducted during the current fiscal year.

**SECTION 2:** Pursuant to Section 18.78.030 (C) of the Municipal Code, the City Council hereby approves:

A. A portion of the building allocation shall be reserved for affordable, market rate and micro project competitions as outlined in the attached Exhibit "A".

B. A portion of the building allotment shall also be reserved for downtown area projects and for small vertical mixed used projects as outlined in the attached Exhibit "A".

C. The distribution of allotment as set forth in Exhibit "A" may be adjusted by the Planning Commission as deemed necessary to respond to changes in the housing market (change in the build-out rate for existing projects, increase demand for particular housing types, etc.).

D. The distribution of allotment by housing type and number of dwelling units may be modified by the Planning Commission at time of award of allotment based on demand for a particular unit type as provided in the attached Exhibit.

E. The Measure C competitions authorized by this Resolution shall be for the purpose of awarding a portion of the Fiscal Year 2007-08 allotment for affordable projects and projects in the Downtown Area. The Planning Commission may award additional allocations into FY 2008-09 and 2009-10 as needed to complete a project.



**SECTION 3:** The filing deadlines for the FY 2007-08 Downtown Area and Affordable competitions shall be September 1, 2005. The Council may establish an earlier filing deadline for the Downtown competition, if warranted, based on when potential projects would be able to proceed through the competitive process.

**PASSED AND ADOPTED THIS 19<sup>th</sup> DAY OF JANUARY 2005, AT A REGULAR MEETING OF THE MORGAN HILL CITY COUNCIL BY THE FOLLOWING VOTE:**

**AYES: COUNCIL MEMBERS:**

**NOES: COUNCIL MEMBERS:**

**ABSTAIN: COUNCIL MEMBERS:**

**ABSENT: COUNCIL MEMBERS:**

## Exhibit "A"

<b><u>Fiscal Year 2007-08 Allocation:</u></b>	<b><u>Units</u></b>
<b>On-Going Projects</b>	<b>45</b>
<b>Vertical Mixed Use Projects</b>	<b>10</b>
<b>Affordable Competition</b>	<b>50</b>
<b>Micro Competition</b>	<b><u>10</u></b>
<b>Sub-Total:</b>	<b>115</b>
<b>Open/Market Competition:</b>	
Single-family	<b>25</b>
Small Projects	<b>15</b>
Downtown Area	<b>80</b>
Multi-family	<b>15</b>
Any of the above	<b><u>0</u></b>
<b>Sub-Total:</b>	<b>135</b>
<b>Grand Total:</b>	<b>250</b>

<b><u>Fiscal Year 2008-09 Allocation:</u></b>	<b><u>Units</u></b>
<b>Vertical Mixed Use Projects</b>	<b>10</b>
<b>Open/Market Downtown Area</b>	<b>40</b>
<b><u>Fiscal Year 2009-10 Allocation:</u></b>	
<b>Vertical Mixed Use</b>	<b>10</b>
<b>Open/Market Downtown Area</b>	<b>40</b>